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FISCAL IMPACT REPORT

SPONSOR Leavell DATE TYPED 2/4/04 HB _____

SHORT TITLE False Insurance Application Penalties SB 289

ANALYST Garcia

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
			Minimal, See Narrative.	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Public Regulation Commission, Insurance Fraud Bureau
Department of Corrections

SUMMARY

Synopsis of Bill

The bill will bring the penalties for false applications, claims, and proof of loss into line with the penalties provided for larceny and fraud. The present statute provides for a 4th degree felony regardless of the loss or potential loss. The bill sets fraudulent claims for insurance benefits where losses are less than \$250 as a petty misdemeanor or misdemeanor, which are presently felonies. The bill raises the felony level to third degree from 4th degree for insurance fraud over \$2.5 thousand and to second degree from 4th degree for fraud over \$20 thousand. The bill also makes the crime of conspiracies as a third degree felony.

Significant Issues

1) The bill adds language to 59A-16-23 which will impose an additional penalty on those employing others in an organized insurance fraud ring, i.e. "staged accidents".

2) The distinction of lowering the level of crimes to petty misdemeanors or misdemeanors may result in a slight decrease in persons incarcerated for insurance fraud. This number would be offset by longer sentences for larger fraud.

FISCAL IMPLICATIONS

Since its inception in 1999, the Insurance Fraud Bureau has convicted 30 to 40 individuals of various white-collar crimes. In a state where the correctional system is overburdened with violent and drug offenders, only a handful of these defendants have received actual incarceration time. Therefore, it is expected that this bill will have a minimal budgetary impact.

If the bill results in fewer persons incarcerated for lower levels of insurance fraud, the fiscal impact of slightly decreased numbers would be offset by the longer terms of incarceration and resulting higher costs for persons committing fraud over \$2.5 thousand.

The contract/private prison annual costs of incarcerating an inmate based upon FY 03 actual expenditures is \$20,720 per year for males. The cost per client to house a female inmate at a privately operated facility is \$26,313 per year. Because state owned prisons are essentially at capacity, any net increase in inmate population will be housed at a contract/private facility.

The cost per client in probation and parole for a standard supervision program is \$1,452 per year. The cost per client in intensive supervision programs is \$2,852 per year. The cost per client in department-operated community corrections programs is \$4,371 per year. The cost per client in privately-operated community corrections programs is \$9,151 per year. The cost per year for male and female residential community corrections programs is \$20,725.

DG/lg